

Message Text

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ORIGIN TRSE-00

INFO OCT-01 NEA-11 IO-13 ISO-00 OES-07 DOE-15 SOE-02
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DOE:JVANDERRY
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FM SECSTATE WASHDC
TO AMEMBASSY TEL AVIV
INFO USMISSION GENEVA

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E.O. 11652:NA

TAGS: EGEN, BGEN, ETRD, MTN, US, IS

SUBJECT: PENDING COUNTERVAILING DUTY (CVD) CASES; BUSINESS
COUNCIL; COOPERATIVE ENERGY PROGRAM; FY 79 AID PROGRAM

1. SUMMARY. ON MAY 15 ISRAELI AMBASSADOR DINITZ CALLED ON
TREASURY SECRETARY BLUMENTHAL TO REQUEST A DETERMINATION
THAT ISRAELI REGIONAL INCENTIVES DO NOT CONSTITUTE BOUNTIES
OR GRANTS UNDER U.S. LAW IN TWO PENDING CASES. THE
SECRETARY AGREED TO HAVE TREASURY TAKE ANOTHER LOOK AT THE
CASES. WHEN THE AMBASSADOR RAISED THE BUSINESS COUNCIL
CHAIRMANSHIP, THE SECRETARY NOTED FIVE MEN HAD BEEN CON-
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SULTED SINCE OCTOBER BUT HAD BEEN UNABLE TO ACCEPT THE
POSITION. EFFORTS WOULD CONTINUE WITH GUS MARUSI OF BORDEN
AND ED RENEKER, FORMERLY OF ESMARK. LOOKING FORWARD TOWARD
THE NEXT MEETING OF THE U.S.-ISRAEL JOINT COMMITTEE, ISRAEL
EMBASSY ECONOMIC MINISTER DINSTEIN SUGGESTED A JOINT FUND
FOR THE ENERGY FIELD. NOTING THAT THE POSSIBILITIES FOR
COOPERATION AND THAT THE AVAILABILITY OF FUNDS WOULD HAVE

TO BE CONSIDERED, SECRETARY BLUMENTHAL AGREED TO PURSUE THE SUGGESTION BUT CAUTIONED: QUOTE DON'T WAIT TO HAVE IT DELIVERED IN TWO WEEKS. END QUOTE. END SUMMARY.

2. CVD CASES. AMBASSADOR DINITZ PRESENTED LETTER (POUCHED) STRESSING THAT EXISTING REGIONAL INCENTIVE PROGRAM, WHICH IS SUBJECT OF TWO CURRENTLY PENDING CVD CASES, IS NOT DESIGNED TO PROMOTE EXPORTS. RATHER, THE PURPOSE IS TO ATTRACT INVESTMENT AND TO INTEGRATE NEW IMMIGRANTS INTO THE FABRIC OF ISRAELI SOCIETY. THE LETTER CONCLUDES BY REQUESTING THAT TREASURY CONCLUDE THAT ISRAELI REGIONAL DEVELOPMENT PROGRAM IS NOT COUNTERVAILABLE UNDER U.S. TRADE LAWS, "IN LIGHT OF OUR (ISRAEL'S) VITAL NEEDS FOR THIS PROGRAM, OUR DESIRE NOT TO BE THE CONTINUED OBJECT OF ATTACK BY AMERICAN PRODUCERS AND OUR PROVEN RECORD AS A RESPONSIBLE TRADING PARTNER OF THE U.S." ORALLY, THE AMBASSADOR COMMENTED THAT THE POINTS MADE IN REGARD TO REGIONAL INCENTIVE PROGRAMS APPLIED AS MUCH TO EXISTING PROGRAMS AS TO THE PENDING LAW FOR ENCOURAGEMENT OF INVESTMENT.

3. SECRETARY BLUMENTHAL SAID TREASURY WOULD STUDY THE LETTER CLOSELY BUT ADDED HIS IMPRESSION THAT TREASURY HAD TO ENFORCE THE LAW OR THE COURTS WOULD "BLOW US OUT OF THE WATER". NOTING THAT THE LETTER SAID ONLY THREE PERCENT OF BROMINE PRODUCTION WAS EXPORTED TO THE U.S., LIMITED OFFICIAL USE

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THE SECRETARY ADDED THAT THE SHARE OF PRODUCTION EXPORTED TO THE U.S. MADE NO DIFFERENCE. THE SHARE OF PRODUCTION EXPORTED GLOBALLY IS THE MAIN CONSIDERATION.

4. DEPUTY ASSISTANT SECRETARY EHRENHAFT SAID THAT IF AN INCENTIVE PROGRAM IS DIRECTLY RELATED TO EXPORTS, IT IS COUNTERVAILABLE. IF THERE IS NO DIRECT RELATIONSHIP TO EXPORTS, THEN WE MUST USE OBJECTIVE CRITERIA. ALTHOUGH PUBLIC NOTICES HAD MENTIONED THE SHARE OF EXPORTS TO THE U.S., THE CRITERION IS RELATED TO THE SHARE OF EXPORTS IN TOTAL PRODUCTION. IF A MAJORITY OF PRODUCTION IS EXPORTED, THE INCENTIVE IS CONSIDERED AN EXPORT INCENTIVE.

5. MINISTER DINSTEIN RECALLED THAT FINANCE MINISTER EHRLICH HAD STRESSED THE IMPORTANCE OF THE NEW INVESTMENT LAW FOR INTEGRATING NEW MIGRANTS INTO ISRAELI SOCIETY, WHEN THE SECRETARY HAD VISITED ISRAEL IN OCTOBER 1977. SPECIFICALLY TO TAKE ACCOUNT OF U.S. LAW, MINISTER DINSTEIN HAD ENGAGED IN EXTENSIVE DISCUSSIONS IN ISRAEL TO ELIMINATE ALL REFERENCES TO EXPORT INCENTIVES IN THE NEW LAW. HE STRESSED THAT INCENTIVE BENEFITS ARE THE SAME FOR ALL INDUSTRIES IN A REGION REGARDLESS OF EXPORTS.

6. DEPUTY ASSISTANT SECRETARY EHRENHAFT ASKED IF THE INCENTIVES COULD BE RELATED DIRECTLY TO DISLOCATION COSTS. HE ADDED THAT TO THE EXTENT THAT INCENTIVES WERE BASED ON DISLOCATION COSTS, THEY WOULD NOT BE CONSIDERED BOUNTIES

OR GRANTS.

7. THE SECRETARY NOTED THAT CVDS AND SUBSIDIES WERE BEING DISCUSSED IN GENEVA AND THAT A SUCCESSFUL OUTCOME TO THOSE DISCUSSIONS WAS VERY IMPORTANT TO USG. ISRAEL EMBASSY COUNSELOR RAFF NOTED THAT THE ISRAELI DEL HAD DISCUSSED THESE ISSUES WITH THE USDEL RECENTLY.

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8. THE SECRETARY AND THE AMBASSADOR AGREED THAT THEIR STAFFS SHOULD HAVE ANOTHER LOOK AT THE SITUATION AND, PARTICULARLY, AT LOCATION COSTS.

9. BUSINESS COUNCIL. SECRETARY BLUMENTHAL SAID THAT SINCE OCTOBER EFFORTS HAD BEEN MADE TO RECRUIT FIVE MEN: IRWIN MILLER (CUMMINS ENGINE), BILL NORRIS (CONTROL DATA), PETER MCCOLOGH (XEROX), ED PRATT (PFIZER) AND HARRY GRAY (UNITED TECHNOLOGIES). THEY WERE EACH UNABLE TO ACCEPT THE CHAIRMANSHIP. EFFORTS WOULD CONTINUE FIRST WITH GUS MARUSI (BORDEN) AND, IF NECESSARY, ED RENEKER (FORMERLY OF ESMARK). MINISTER DINSTEIN COMMENTED THAT MARUSI HAD BEEN ENTHUSIASTIC ABOUT BUSINESS OPPORTUNITIES IN ISRAEL AFTER A RECENT TRIP AND MIGHT WELL ACCEPT.

10. COOPERATIVE ENERGY PROGRAM. MINISTER DINSTEIN NOTED THAT THE U.S. AND ISRAEL HAD AGREED TO JOINT FOUNDATIONS IN SCIENCE, INDUSTRY AND AGRICULTURE. MINISTER OF ENERGY MODAI VISITED SECRETARY SCHLESINGER IN FEBRUARY (STATE 71480) TO DISCUSS SEVERAL POSSIBLE PROJECTS IN THE ENERGY FIELD. BEARING IN MIND THE NEXT MEETING OF THE JOINT COMMITTEE, MINISTER DINSTEIN SUGGESTED THE IDEA OF A FOURTH JOINT FUND FINANCED, AS THE OTHERS, THROUGH A JOINTLY ESTABLISHED ENDOWMENT.

11. MINISTER DINSTEIN ADDED HIS IMPRESSION THAT DOE OFFICIALS WERE CONCERNED THAT FUNDING FOR SUCH A PROGRAM WOULD BE DIFFICULT IN VIEW OF THE ALREADY TIGHT ENERGY R AND D BUDGET. IF THERE WERE SPECIAL FUNDING, HE THOUGHT THAT DOE WOULD BE MORE ENTHUSIASTIC ABOUT THE PROGRAM.

12. ASSISTANT SECRETARY BERGSTEN SAID THE ISSUE WOULD
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HAVE TO BE EXPLORED WITH APPROPRIATE CONGRESSIONAL COMMITTEES AND ASKED IF THERE WERE AN ESTIMATE OF THE AMOUNT OF MONEY REQUIRED. MINISTER DINSTEIN SAID THAT TO GENERATE A 3 MILLION DOLS. ANNUAL PROGRAM, AN INITIAL CONTRIBUTION OF 30 MILLION DOLS. FROM EACH GOVERNMENT MIGHT BE REQUIRED, WITH FINANCIAL ARRANGEMENTS SIMILAR TO THE AGRICULTURAL FUND.

13. WHEN SECRETARY BLUMENTHAL ASKED WHETHER THE IDEA WAS DISCUSSED WITH SECRETARY SCHLESINGER, THE AMBASSADOR REPLIED THAT ONLY POSSIBLE PROJECTS HAD BEEN DISCUSSED. SECRETARY BLUMENTHAL SAID THAT WE WOULD HAVE TO SEE IF A COOPERATIVE PROGRAM MADE SENSE AND, IF SO, WHAT THE CHANCES WERE OF OBTAINING FUNDS.

14. FY 79 AID PROGRAM. ASSISTANT SECRETARY BERGSTEN ASKED WHETHER IMPORTS WOULD BE REDUCED, IF THE CIP PROGRAM WERE CONVERTED TO A CASH TRANSFER, AS RECENTLY PROPOSED BY AID. ECONOMIC COUNSELOR RAFF SAID THAT ELIGIBLE IMPORTS FROM THE U.S. WERE LARGER THAN THE CIP PROGRAM AND THAT, EVEN IF THE DISBURSEMENT REQUIREMENTS WERE CHANGED, THERE WOULD STILL BE EQUAL ACCESS FOR U.S. EXPORTERS TO SELL TO ISRAEL. CHRISTOPHER

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Message Attributes

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